

Message Text

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C O N F I D E N T I A L HONG KONG 3831

EXDIS

E.O. 11652: GDS

TAGS: CVIS, PFOR, ETRD, CH

SUBJECT: CONGENOFFS REPRESENTATION AT CANTON FAIR

REF: STATE 068516

SUMMARY. WE RECOMMEND DEPARTMENT URGENTLY REQUEST PRCLO RECONSIDERATION AT HIGHEST LEVEL OF DECISION RE HONG KONG CONGENOFFS' REPRESENTATION AT CANTON FAIR. THIS RECOMMENDATION IS BASED ON ADVERSE EFFECTS SUCH EXCLUSION WOULD HAVE UPON FUTURE EFFECTIVENESS CONGEN COMMERCIAL SERVICES AS WELL AS SMOOTH CONDUCT OF U.S.-PRC TRADE MATTERS AT CANTON FAIR AND NEEDLESS CREATION OF CONCERN AND SPECULATION ON PART OF U.S. BUSINESSMEN AND PRESS ABOUT CHANGES IN U.S.-PRC RELATIONS AND ABOUT POLITICAL SITUATION WITHIN CHINA. ADDITIONALLY, WE BELIEVE PRINCIPLE OF RECIPROCITY BETWEEN U.S. AND PRC AS WELL AS EQUAL TREATMENT WITH OUR DIPLOMATIC COLLEAGUES IN OTHER HONG KONG CONSULATES ARE CLEARLY INVOLVED AND SHOULD BE FIRMLY DEFENDED. END SUMMARY.

1. CONGEN STRONGLY RECOMMENDS DEPARTMENT RENEW REQUEST FOR PRCLO RECONSIDERATION AT HIGHEST LEVEL OF DECISION DESCRIBED IN REFTEL, EMPHASIZING CANTON FAIR AS MAJOR VENUE FOR PRC-U.S. BUYING AND SELLING TRADE OPERATIONS AND POINTING OUT THAT IN THE PAST TWO FAIRS CONGENOFFS HAVE PROVIDED INVALUABLE ASSISTANCE ON BROAD RANGE OF MATTERS TO U.S. BUSINESSMEN AND TRADERS. APPROACH COULD UNDERLINE FACT THAT MOST U.S. VISITORS COME THROUGH HONG KONG AND RECEIVE FACILITATIVE SERVICES WHICH SUPPORT THE

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OBJECTIVES OF THE FAIR. ADDITIONAL ARGUMENT IS THAT MEMBERS OF

INTERNATIONAL PRESS CORPS ARE AWARE OF CONGEN'S ATTENDANCE AT LAST TWO FAIRS AND OF OUR PLANS FOR THE SPRING FAIR. IF CONGENOFFS DO NOT ATTEND FAIR, HONG KONG BUSINESS COMMUNITY AND JOURNALIST WOULD INEVITABLY LEARN ABOUT PRC REFUSAL. THIS POSES RISK OF NEEDLESSLY CREATING BUSINESS AND PRESS SPECULATION AND CONCERN ABOUT SHIFTS IN PRC-U.S. RELATIONS. THIS WOULD BE PARTICULARLY UNFORTUNATE AT TIME WHEN PRC REPS, INCLUDING THOSE IN HONG KONG, HAVE SOUGHT TO REASSURE FOREIGNERS AND BUSINESSMEN PRESENT POLITICAL MOVEMENT IN CHINA IS NEITHER ANTI-FOREIGN NOR DESTABILIZING.

2. FROM U.S. VIEWPOINT, CONGEN IS FUNCTIONAL CENTER FOR PROVIDING INFORMATION AND ASSISTANCE FOR U.S. BUSINESSMEN INTERESTED IN PRC TRADE. FREQUENT CONTACTS, CONSULTATIONS AND DISCUSSIONS BY CONGENOFFS WITH U.S. FIRMS, TRADE JOURNALS AND ORGANIZATIONS, INCLUDING AMERICAN CHAMBER OF COMMERCE, HAS LED TO EXPECTATION THAT CONGENOFFS WOULD AGAIN PERFORM SAME FUNCTIONS AT FAIR. KNOWLEDGE AND EXPERIENCE ON PRC TRADING PRACTICES AVAILABLE ONLY AT THE FAIR ARE VITAL IN ASSURING ACCURATE AND COMPLETE COMMERCIAL GUIDANCE BY CONGEN COMMERCIAL OFFICERS.

3. NUMEROUS COMMENDATIONS BY U.S. FIRMS AND TRADERS FOR ASSISTANCE HAVE BEEN RECEIVED AND EVEN PRC TRADING REPS IN HONG KONG HAVE SPOKEN FAVORABLY ABOUT USEFULNESS OF CONGENOFFS' PRESENCE AT PAST FAIRS. THESE CHINA RESOURCES CO. (CRC) OFFICIALS HAVE ENCOURAGED US TO BROADEN OUR EFFORTS TO EXPAND PRC EXPORTS TO THE U.S. AS RECENTLY AS APRIL 4, THE TOP CRC OFFICIAL, ASSUMING THAT WE WERE GOING TO THE FAIR, SAID THAT HE WAS RECOMMENDING THAT THE FAIR OFFICIALS MEET WITH US THERE TO DISCUSS SOME OF OUR "GOOD IDEAS" ON EXPANDING CHINESE EXPORTS TO THE U.S. IF THE OFFICERS ARE NOT ALLOWED TO ATTEND THE FAIR, THEIR ABILITY TO PROVIDE PROPER ASSISTANCE WILL SUFFER. IN ADDITION EXTREMELY USEFUL CONGEN RELATIONS WITH PRC REPRESENTATIVES IN HONG KONG WILL BE JEOPARDIZED IF THESE OFFICIALS LEARN THAT PRC WILL NOT PERMIT CONGEN OFFICERS TO ATTEND CANTON FAIR.

4. THE REPORTING ON LAST FALL'S FAIR WAS GENERALLY REGARDED WITHIN THE USG AS THE MOST TIMELY AND COMPREHENSIVE EVER DONE ON A CANTON TRADE FAIR. THIS WAS DUE ENTIRELY TO THE PRESENCE

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OF USLO AND CONGENOFFS IN CANTON (THE LATTER FOR THE ENTIRE PERIOD OF THE FAIR). HOWEVER, IF CONGENOFFS ARE UNABLE TO ATTEND, SOME REPORTING ON THIS FAIR COULD STILL BE DONE FROM HONG KONG. THIS WOULD IN PART MAKE A RETURN TO PRE-1972 PRACTICE OF RELYING ON THIRD PERSON ACCOUNTS (BUSINESSMEN, DIPLOMATS) BUT WOULD BE GREATLY AIDED BY INPUTS FROM USLO OFFS. BILL RPE COULD EXTEND HIS CONSULTATION IN HONG KONG FOLLOWING THE FAIR AND HELP IN PREPARATION OF FINAL REPORTS. IT MUST BE REALIZED, HOWEVER,

THAT REPORTS ARE OF MINOR CONCERN COMPARED TO OBVIOUS USG INABILITY TO PROVIDE ADEQUATE ON-SPOT ASSISTANCE WITH ONLY ONE OFFICER AT FAIR.

5. A MAJOR CONSIDERATION IS THAT THIS SITUATION CLEARLY INVOLVES THE PRINCIPLE OF RECIPROCITY. SINCE ESTABLISHMENT OF PRCLO IN WASHINGTON, RECORD WILL SHOW U.S. HAS ACTED VERY PROMPTLY AND COURTEOUSLY IN GRANTING VISAS AND FACILITATING TRAVEL FOR PRC PERSONNEL. ON THE OTHER HAND, DIFFICULTIES WHICH USG OFFICIALS, INCLUDING CONGENOFFS, HAVE EXPERIENCED IN OBTAINING VISA FOR

PRC DO NOT SEEM COMMENSURATE WITH THIS TREATMENT. WE SUGGEST IN ITS APPROACH, DEPARTMENT ASCERTAIN FROM PRCLO WHETHER U.S. CONGENOFFS WOULD BE ONLY HONG KONG BASED FOREIGN TRADE/COMMERCIAL PERSONNEL WHO WOULD NOT BE ACCOMMODATED AT CANTON FAIR. (VARIOUS OTHER CONSULAR COLLEAGUES, SUCH AS WEST GERMANS, JAPANESE, CANADIANS, HAVE INDICATED TO US VERY RECENTLY THEIR FULL EXPECTATION OF ATTENDING FAIR AS BEFORE.) IF U.S. CONGENOFFS THEN ARE ONLY ONES TO BE EXCLUDED, PRCLO SHOULD BE ASKED WHAT CONCLUSIONS WE ARE TO DRAW FROM THIS. (HOWEVER, IN ANY CASE WE BELIEVE THAT EXCLUSION OF ANY HONG KONG ELEMENTS IS NOT IN PRC INTERESTS).

IN SUM IT APPEARS TO US THAT THIS IS A SINGULARLY IMPORTANT INSTANCE IN WHICH DEPARTMENT SHOULD TAKE A FIRM STAND, WITH AN APPROACH AT HIGHER LEVELS AT PRCLO IN ORDER TO ASSURE PROMPT AND FULLY CONSIDERED ACTION. CROSS

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